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CHROMASCO

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

THIRTY-THIRD ANNUAL REPORT

Directors

Alan M. Badian, C.A.

*John E. L. Duquet, Q.C.

Henry M. Marx

R. G. Nesbitt, C.A.

*J. G. Notman

*J. Thomas Timmins

Jules R. Timmins

*Noé A. Timmins, Jr.

*Member of the Executive Committee

Senior Officers

Noé A. Timmins, Jr.
Chairman of the Board

J. Thomas Timmins
President & General Manager

R. G. Nesbitt, C.A.
Vice President

F. H. Curran
Vice President—Marketing

G. Fegan
Vice President—Engineering

F. E. Wright
Vice President—Operations

J. P. Sheehan, C.A.
Secretary-Treasurer

Executive Offices

3720 Place Victoria
Montreal 115, Quebec

General Counsel

Duquet, MacKay, Weldon,
Bronstetter, Willis & Johnston
Advocates, Barristers & Solicitors
Montreal, Quebec

Auditors

Riddell, Stead & Co.
Chartered Accountants
Montreal, Quebec

Bankers

Bank of Montreal
Montreal, Quebec

Transfer Agents

Crown Trust Company
302 Bay Street, Toronto 1, Ont.
393 St. James Street West
Montreal 126, Quebec

Annual Meeting of Shareholders

The Thirty-third Annual Meeting of the Shareholders will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 115, Quebec, Canada, at 2:30 p.m. on Friday, July 24, 1970.

CHROMASCO

Highlights

	1970	1969
Net sales	\$24,860,000	\$20,519,000
Earnings (loss) before income taxes and extraordinary item	\$ 896,000	\$ (1,015,000)
Net earnings (loss) for the year	\$ 776,000	\$ (1,038,000)
Net earnings (loss)—per common share	\$0.16	\$(0.37)
Working capital	\$ 3,509,000	\$ 2,501,000
Working capital ratio	1.74	1.43
Expenditure for property, plant and equipment	\$ 413,000	\$ 782,000
Shares issued and fully paid at April 30—		
Preference	32,500	32,500
Common	3,420,000	3,420,000

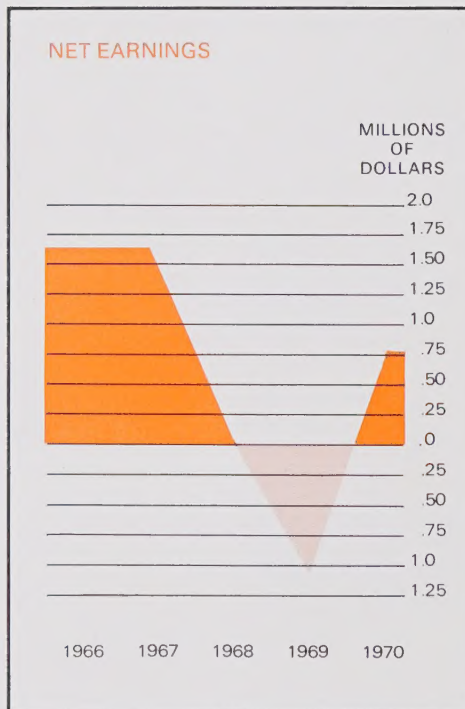
Directors' Report

To the Shareholders
CHROMIUM MINING & SMELTING
CORPORATION, LIMITED:

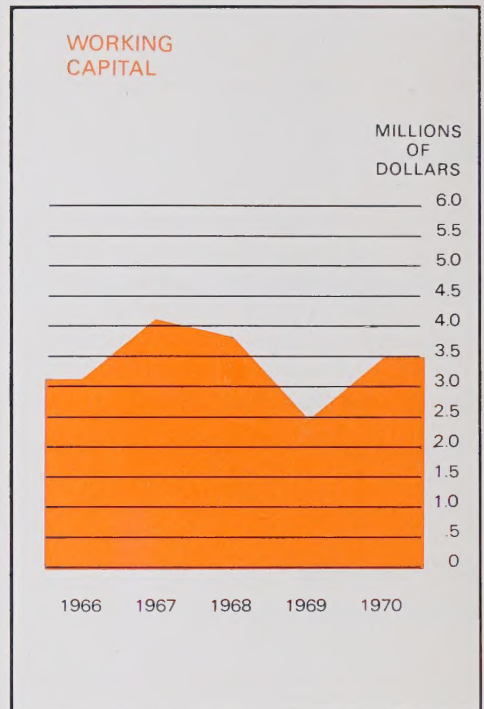
Your Directors are pleased to submit this Thirty-third Annual Report of the Corporation and its subsidiary companies together with the Consolidated Balance Sheet as at April 30, 1970, the Consolidated Statements of Earnings and Retained Earnings, and Source and Application of Funds for the year then ended.

Earnings

Consolidated net earnings amounted to \$776,000 for the year ended April 30, 1970. This was an improvement of \$1,814,000 over the previous year. Net earnings per common share was 16¢.



Working Capital



Working capital at April 30, 1970 amounted to \$3,509,000. This was an increase of \$1,008,000 over the working capital position at the end of the prior year. At April 30, 1970 dividends on the cumulative redeemable preference shares were in arrears in the amount of \$341,250.

Marketing

Net sales amounted to \$24,860,000 for the period under review, which represented an increase of 21% over the previous year. Product mix and distribution costs were improved resulting in increased profit margins. Marketing results were all the more encouraging when considered against the background of a three-month steel strike in Canada, a



Data transmission centre.

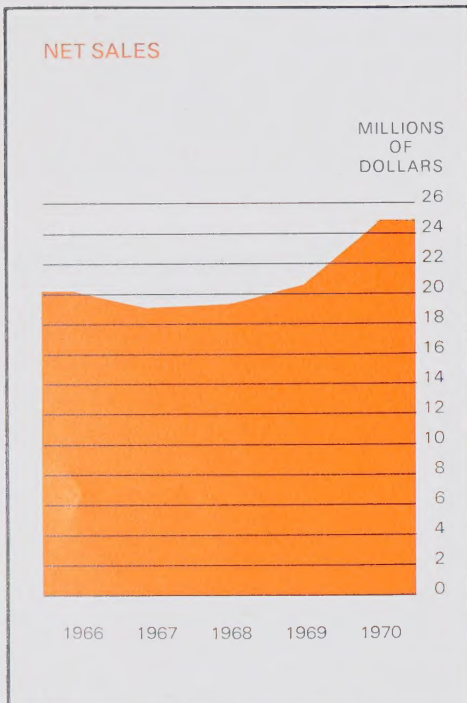


Section of offices, Place Victoria, Montreal.



Chromasco's electronic data processing centre.

major market for the products of your Corporation.



Operations

The Memphis Plant's operations were substantially improved over the previous year with costs being reduced and tonnage output increased. This facility made a valuable contribution to earnings.

The improving results also being experienced

at the Beauharnois facility reflect that Plant's strengthened organization and an initial realization of a reasonable return on investment from the major capital expenditure programme of recent years.

The self-baking electrode smelting furnace located at Beauharnois continued to experience considerable operating difficulties and did not perform up to design standards although its performance was greatly improved over the preceding two years. At year end this production unit was down for a period of thirty days to complete a programme of extensive design modification that has been carried out during the past several years. The operating results since start-up at the beginning of the month of May have been encouraging and we now feel that this unit should perform as originally expected and should operate with a substantial reduction in costs.

In recent years the Corporation has invested considerable capital in the expansion and improvement of laboratory facilities. The result has been increased analytical ability at lower cost. This has been achieved by making use of the most modern efficient analytical equipment that is available today. Through tighter process control we have achieved better overall quality of products produced which has enabled us to accelerate inventory turn-over. The resultant cost savings are

important particularly today having regard to the exceedingly high interest rates currently prevailing.

Engineering

The Engineering Department continued to make a substantial contribution to the Corporation. In addition to its normal function of assisting with the design of facilities and equipment improvements, the Engineering Department has spent considerable time studying environmental problems and has completed a lengthy study of air pollution as it affects our plants. Our approach to corrective measures is comprehensive in scope and the implementation will extend over several years.

Information Systems

Following a feasibility study concluded in May 1968, systems development and programming work was undertaken and an IBM 360 computer installed which became operational in May of 1969. As we expected, the cost of the computer and related expenses exceeded the benefits derived therefrom in the first year of operation. However, it is apparent that the electronic data processing unit will assist us greatly in the implementation of an improved information system for the Corporation resulting in improving the quality of information available and providing the user with more timely data.

General

This year should be noted for the steady development of a cohesive management group which has been assembled during the past few years from within the Corporation and through a recruitment programme.

This leadership and technical capability combined with the wealth of experience found throughout this Corporation enabled us to show a substantial turn-around in profits and it is firmly believed that a solid base has been created for the future growth of your Corporation in the years to come.

Outlook

The strong demand for ferroalloys continues throughout North America. As we enter this new fiscal year operating efficiency continues to improve. Although, like the manufacturing industry in general, we are experiencing rising costs of raw materials, services and labour.

During the latter stages of the fiscal year under review, administrative, plant and marketing overheads were substantially reduced. The full effect of this cost reduction programme should be felt during the current fiscal year.

The outlook is encouraging to those responsible for the management of your Corporation and earnings for the coming year can reasonably be expected to increase.



New furnace control room.



New inside shipping facility.



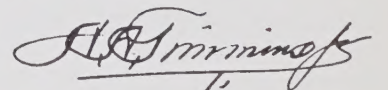
From left to right—J. P. Sheehan, Secretary-Treasurer; J. Thomas Timmins, President and General Manager; F. E. Wright, Vice President—Operations; R. G. Nesbitt, Vice President.

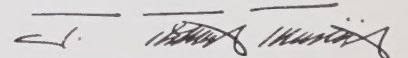
Shareholders' Annual Meeting

The Shareholders' Annual Meeting will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 115, Quebec, Canada, at 2:30 p.m. on Friday, July 24, 1970. Formal Notice of this Meeting, together with an Instrument of Proxy and Information Circular, is enclosed with this Report.

The Directors wish to make special mention of their appreciation for the individual efforts made by all the personnel of your Corporation, whose dedication has made it possible to report these improved earnings.

On behalf of the Board


Chairman of the Board


President and General Manager

June 26, 1970

Plants

Beauharnois, Quebec
Smelter Plant

Memphis, Tennessee
Smelter, refining and finishing plant

Principal Products

Silicon Alloys

50% Ferrosilicon
65% Ferrosilicon
75% Ferrosilicon
75% Ferrosilicon High Purity
85% Ferrosilicon
Sil-X

Manganese Alloys

Medium Carbon Ferromanganese
Nitrided Ferromanganese
Standard Ferromanganese
Silicomanganese
Man-X-1
Man-X-6

Chromium Alloys

Charge Grade Ferrochrome
Blocking Grade Ferrochrome
Chrom-X-4
Chrom-X-25-12.5
Chrom-Sil-X

Customer Service

Sales Offices

Montreal, Quebec
3720 Place Victoria,
Montreal 115, Quebec
Telephone (514) 866-5344

Chicago, Illinois
18301 South Halsted Street,
Glenwood Plaza,
Glenwood, Illinois 60425
Telephone (312) 785-6687

Pittsburgh, Pennsylvania
Three Parkway Center,
875 Greentree Road,
Pittsburgh, Pennsylvania 15220
Telephone (412) 921-2703

Warehouses

Sault Ste. Marie, Ontario
Hamilton, Ontario
Beauharnois, Quebec
Buffalo, New York
Birmingham, Alabama
Pittsburgh, Pennsylvania
Chicago, Illinois
Memphis, Tennessee
Detroit, Michigan
East Liverpool, Ohio

Research and Quality Control

Laboratories

Beauharnois, Quebec
Quality control

Memphis, Tennessee
Research and quality control

CHROMIUM MINING & SMELTING CORPORATION, LIMITED*and Subsidiary Companies***Consolidated Statement of Earnings and Retained Earnings**

For the year ended April 30, 1970

	<u>1970</u>	<u>1969</u>
Net sales	\$24,860,000	\$20,519,000
Cost of sales, selling, administrative and general expenses (Note 6)	<u>22,784,000</u>	<u>20,285,000</u>
Earnings from operations before the undernoted	<u>2,076,000</u>	<u>234,000</u>
Depreciation and amortization	504,000	546,000
Interest on long-term note (Note 4)	—	110,000
Other interest	415,000	362,000
Employees' pension funds (Note 7)	<u>261,000</u>	<u>231,000</u>
	<u>1,180,000</u>	<u>1,249,000</u>
Earnings (loss) before income taxes and extraordinary item	896,000	(1,015,000)
Income taxes	<u>445,000</u>	<u>82,000</u>
Earnings (loss) before extraordinary item	451,000	(1,097,000)
Income tax reduction resulting from prior years' losses	<u>325,000</u>	<u>59,000</u>
Net earnings (loss) for the year	776,000	(1,038,000)
Retained earnings—beginning of year	<u>392,000</u>	<u>1,544,000</u>
	1,168,000	506,000
Dividends on preference shares (Note 5)	—	114,000
Retained earnings —end of year (Note 8)	<u>\$ 1,168,000</u>	<u>\$ 392,000</u>

Consolidated Statement of Source and Application of Funds

For the year ended April 30, 1970

Source of funds

	1970	1969
Net earnings (loss) for the year	\$ 776,000	(\$1,038,000)
Depreciation and amortization	504,000	546,000
Total from operations	1,280,000	(492,000)
Sale of fixed assets—net book value	141,000	83,000
	<u>1,421,000</u>	<u>(409,000)</u>

Application of funds

Investment in fixed assets	413,000	782,000
Dividends on preference shares (Note 5)	—	114,000
	<u>413,000</u>	<u>896,000</u>
Working capital increase (decrease)	1,008,000	(1,305,000)
Working capital—beginning of year	2,501,000	3,806,000
Working capital—end of year	<u>\$3,509,000</u>	<u>\$2,501,000</u>

Consolidated Balance Sheet—April 30, 1970

Assets

	1970	1969
Current assets		
Cash	\$ 105,000	\$ 196,000
Accounts receivable	3,448,000	3,158,000
Inventories		
Raw materials and supplies at average cost which approximates replacement cost	1,262,000	1,419,000
Work in process and finished products at lower of average cost and net realizable value	3,120,000	3,263,000
Prepaid expenses	295,000	239,000
	<u>8,230,000</u>	<u>8,275,000</u>
Fixed assets (Note 2)		
Land, buildings, leasehold improvements and equipment at cost	11,775,000	11,628,000
Accumulated depreciation and amortization	5,910,000	5,531,000
	<u>5,865,000</u>	<u>6,097,000</u>
	<u>\$14,095,000</u>	<u>\$14,372,000</u>

Signed on behalf of the Board:

J. THOMAS TIMMINS, Director.

R. G. NESBITT, Director.

Liabilities

	1970	1969
Current liabilities		
Bank indebtedness (Note 3)	\$ 1,287,000	\$ 3,045,000
Accounts payable and accrued liabilities	3,146,000	2,598,000
Income taxes	120,000	18,000
Taxes other than income taxes	168,000	113,000
	<u>4,721,000</u>	<u>5,774,000</u>
Note payable to affiliated company		
5½%—due May 31, 1972 (Note 4)	<u>2,000,000</u>	<u>2,000,000</u>
Shareholders' equity		
Capital stock (Note 5)		
Preference shares		
Authorized and issued		
32,500 7% cumulative preference shares of a par value of \$100 each		
redeemable at \$103.50	3,250,000	3,250,000
Common shares		
Authorized		
6,000,000 common shares of no par value		
Issued		
3,420,000 shares	2,956,000	2,956,000
Retained earnings	<u>1,168,000</u>	<u>392,000</u>
	<u>7,374,000</u>	<u>6,598,000</u>
	<u>\$14,095,000</u>	<u>\$14,372,000</u>

Notes to Consolidated Financial Statements

For the year ended April 30, 1970

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies expressed in Canadian currency at appropriate rates of exchange. The freeing of the Canadian dollar on June 1, 1970 from the pegged rate of 92.5 U.S. cents had no material effect on the accounts of the Corporation.

2. FIXED ASSETS

	1970		1969	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	\$ 119,000	\$ —	\$ 119,000	\$ —
Buildings and property improvements . .	2,667,000	842,000	2,655,000	783,000
Machinery and equipment	8,319,000	4,930,000	8,329,000	4,629,000
Leasehold improvements	355,000	138,000	282,000	119,000
Construction in progress	315,000	—	243,000	—
	<u>\$11,775,000</u>	<u>\$5,910,000</u>	<u>\$11,628,000</u>	<u>\$5,531,000</u>

3. BANK INDEBTEDNESS

Bank indebtedness is secured by pledge of accounts receivable and inventories.

4. NOTE PAYABLE TO AFFILIATED COMPANY

Interest on the \$2,000,000 note, bearing interest at 5½% per annum, has been waived for the year ended April 30, 1970.

5. CAPITAL STOCK

Pursuant to the Corporation's Stock Option Plan established in 1962, the Corporation has granted options to certain officers and employees to purchase common shares of the capital stock of the Corporation. As at April 30, 1970 options in respect of 35,500 shares were outstanding at prices ranging from \$1.23 to \$1.95 per share with expiry dates ranging from October 1971 through February 1975.

Dividends on the cumulative redeemable preference shares are in arrears in the amount of \$341,250.

6. DIRECTORS' REMUNERATION

Total Directors' fees incurred for the year ended April 30, 1970 amounted to \$12,000 compared with \$12,000 for the prior year. The aggregate direct remuneration paid to the Directors and Senior Officers of the Corporation, by the Corporation and its subsidiaries, amounted to \$173,000 for the year ended April 30, 1970 and \$160,000 for the year ended April 30, 1969.

7. PENSION FUNDS

Pension costs charged against earnings during the year under review include amounts paid or payable to trust funds in respect of current and past services. Past service costs are being funded over periods of twenty-five years ending in 1990, for the Parent Corporation's pension plan and forty years ending in 2007, for the United States subsidiary company's pension plans. The total unfunded past service liability at April 30, 1970 as determined by independent actuaries, was estimated at approximately \$930,000. The unfunded past service liability is subject to continuance of the pension plans and the terms and conditions of the pension plan agreements.

8. INCOME TAX

Loss carry forwards for income tax purposes amounting to approximately \$1,200,000 are available to the Corporation as an offset against taxable income for periods up to April 30, 1975. Of this amount \$469,000 expires in 1973.

9. LEASE COMMITMENTS

The Corporation has long-term agreements for office and production facilities terminating in 1976 and 1983 respectively. Annual rental charges under these agreements aggregate approximately \$352,000.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W. Montreal 101, P.Q.

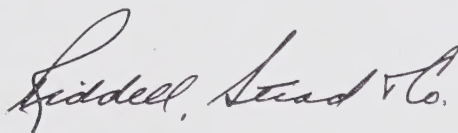
Auditors' Report

To The Shareholders

Chromium Mining & Smelting Corporation, Limited

We have examined the consolidated balance sheet of Chromium Mining & Smelting Corporation, Limited and its subsidiaries as at April 30, 1970 and the consolidated statements of earnings and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at April 30, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script that reads "Riddell, Stead & Co.".

June 5, 1970.

CHROMASCO
